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LOAN NUMBER 7748-IN

# Project Agreement

(Haryana Power System Improvement Project)

among

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

STATE OF HARYANA

and

HARYANA VIDYUT PRASARAN NIGAM LIMITED

Dated August 17, 2009

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## **PROJECT AGREEMENT**

AGREEMENT dated August 17, 2009, entered into among INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank"), STATE OF HARYANA and HARYANA VIDYUT PRASARAN NIGAM LIMITED ("Project Agreement"), in connection with the Loan Agreement of the same date between India ("Borrower") and the Bank ("Loan Agreement"). The Bank, Haryana and HVPN hereby agree as follows:

### **ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Section I of the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

### **ARTICLE II – PROJECT**

- 2.01. Haryana and HVPN declare their commitment to the objectives of the Project. To this end, Haryana shall cause HVPN to carry out its Respective Parts under the Project in accordance with the provisions of Article V of the General Conditions; and Haryana shall, and shall cause HVPN to provide promptly as needed, the funds, facilities, services and other resources required for HVPN's Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank Haryana and HVPN shall otherwise agree, HVPN shall carry out its Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III – REPRESENTATIVE; ADDRESSES**

- 3.01. The Haryana's Representative is any of the following: its Chief Secretary, Principal Secretary of Power or Special Secretary of Power; and HVPN's Representative is any of the following: its Managing Director or any its other Directors.
- 3.02. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Facsimile:

1-202-477-6391

3.03. Haryana's Address is:

Civil Secretariat, Haryana  
Chandigarh  
India

Facsimile:

91-172-2727661

3.04. HVPN's Address is:

Haryana Vidyut Prasaran Nigam Limited  
Shakti Bhawan, Sector - 6  
Panchukula 134109  
Haryana  
India

Facsimile:

91-172-2560713

AGREED at New Delhi, India, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ N. Roberto Zagha  
Authorized Representative

STATE OF HARYANA

By /s/ Jyoti Arora  
Authorized Representative

HARYANA VIDYUT PRASARAN NIGAM LIMITED

By /s/ S. K. Mittal  
Authorized Representative

**SCHEDULE****Project Execution****Section I. Implementation Arrangements**

1. HVPN shall carry out its Respective Part of the Project in accordance with the HVPN Operations Manual, including the provisions of the ESPP, SIPs, EMPs, and RAPs, and the Procurement Plan, and shall ensure that the HVPN Operations Manual and the Procurement Plan are not revised, amended, waived or abrogated without the prior consent of the Bank and HVPN.
2. HVPN shall carry out its Respective Part of the Project in accordance with the provisions of the Anti-Corruption Guidelines.
3. HVPN shall maintain during the period of Project implementation, an adequate organizational structure, with functions, powers, staff and resources necessary and appropriate for its Respective Parts under the Project.
4. HVPN shall adopt and implement the SIPs, including the EMPs and the RAPs, in accordance with the ESPP and other applicable provision of the HVPN Operations Manual.
5. Haryana shall enter into the HVPN Subsidiary Loan Agreement with HVPN, and shall ensure that such agreement is in accordance with and reflects the terms and conditions of the Loan Agreement and this Agreement.
6. Haryana and HVPN shall ensure that the HVPN Subsidiary Loan Agreement provides or requires that, inter alia:
  - (a) the Loan proceeds received by Haryana from the Borrower shall be made available by Haryana to HVPN, within a week of receiving such funds, on the same financial terms and conditions as apply to Haryana;
  - (b) HVPN carries out its Respective Parts under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices adopted by the Borrower and Haryana, including in accordance with the provisions of the Anti-Corruption Guidelines;
  - (c) Haryana and HVPN provide, promptly as needed, the resources required for the purpose;
  - (d) Haryana and HVPN ensure that Loan funds are used for intended purposes;

- (e) HVPN maintains policies and procedures adequate to enable it to monitor and evaluate the progress of its Respective Parts under the Project and the achievement of its objectives;
  - (f) HVPN maintains a financial management system and prepares financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of HVPN, and to reflect separately the operations, resources and expenditures related to its Respective Parts under the Project;
  - (g) HVPN has such financial statements audited by independent auditors in accordance with consistently applied auditing standards, and promptly furnishes the statements as so audited to the Borrower;
  - (h) HVPN prepares and furnishes to the Bank as part of the Project Reports, not later forty-five (45) days after the end of each Financial Year quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank;
  - (i) the Borrower, Haryana and the Bank shall have the right to inspect the HVPN's Respective Parts under the Project and any relevant records and documents; and
  - (j) HVPN prepares and furnishes to the Borrower, Haryana and the Bank all such information as the Borrower, Haryana or the Bank shall reasonably request relating to the foregoing.
7. Haryana and HVPN shall exercise their rights under the HVPN Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower, the Bank and Haryana, and to accomplish the purposes of the Loan, including Haryana's right to suspend or terminate the right of HVPN to use the proceeds of the Loan, or declare to be immediately due and payable all or any part of the funds then withdrawn, upon HVPN's failure to perform any of their obligations under the HVPN Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, Haryana and HVPN shall not assign, amend, abrogate or waive the HVPN Subsidiary Loan Agreement or any of their provisions.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

HVPN shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators agreed with the Bank. Each such

Project Report shall cover the period of one (1) Financial Year quarter, and shall be furnished to the Bank not later than three (3) weeks after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits, Financial Ratios**

1. HVPN shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial conditions of HVPN, and to register separately the operations, resources and expenditures of HVPN related to its Respective Parts of the Project.
2. Without limitation upon the provisions of Part A of this Section, HVPN shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each Financial Year quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. HVPN shall have the above Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Financial Year, commencing with the Financial Year in which the first withdrawal by HVPN was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. HVPN shall furnish to Haryana, the Borrower and the Bank such other information concerning such financial statements as Haryana, the Borrower or the Bank shall reasonably request from time to time.
5. (a) Except as the Bank shall otherwise agree, HVPN shall not incur any debt, unless its net revenues for the Financial Year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.0 times the estimated maximum debt service requirements of HVPN for the third Financial Year following the Loan Agreement effectiveness, and at least 1.1 times for each succeeding Financial Year thereafter on all debt of HVPN, including the debt to be incurred.  
  
(b) For the purposes of this paragraph 5:
  - (i) The term “debt” means any indebtedness of HVPN for capital expenditure maturing by its terms more than one (1) year after the date on which it is originally incurred.

- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term “net revenues” means the difference between: (A) the sum of revenues from all sources related to operations adjusted to take account of HVPN’s tariffs in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term “net non-operating income” means the difference between: (A) revenue from all sources other than those related to operations; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any), interest and other charges on debt, excluding interest during construction.
- (vii) Whenever for the purposes of this Paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

### **Section III. Procurement**

All works and consultants’ services required for HVPN’s Respective Parts under the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.